

QUANTIFIABLE EDGES SUBSCRIBER LETTER

ASSESSING MARKET ACTION WITH INDICATORS AND HISTORY

February 13, 2025

Volume 18 Issue 29

Market Overview



Signals Overview

Aggregator	CBI Reading
Flat	0

Tonight's Research Points

- When SPY posts a large gap down and then partially fills the gap on a positive open-close rally but still finishes down on the day, then that has often led to a bounce higher over the next few days .

Short-term Outlook

The Bottom Line

The Aggregator is neutral. I am as well.

Summary of Recent Active Studies (see Letters from listed dates for details)

Study Date	Description	Time span	Bias	Avg Run-up	Avg DrawDn	Avg DrawDn - 1 Std Dev
Active - Short Term						
February 13, 2025	Big Gap down and partial reversal	1-6 days	Bullish	3.20%	-1.65%	-3.70%
February 12, 2025	SPY up 2 days < 3 days ago > 200ma	1-2 days	Bullish			
Active - Long Term						
January 21, 2025	First 75 of new president bullish	1-75 days	Bullish			
November 26, 2024	Triple 70 Thrust	1-80 days	Bullish	9.40%	-4.60%	-11.20%
September 23, 2024	Fed neutral. QT active. Rates dropping.	int term	Neutral			
June 14, 2024	SPX new high with < 50% stocks > 100ma	1-18 months	Bearish			
February 2, 2023	SPX Golden Cross	int term	Bullish			

The Evidence

Wednesday gapped lower on a disappointing CPI report, but it reached its low early on and made up a good chunk of the losses during the day. SPX finished down 0.3%, the NASDAQ rose 0.03%, and the Russell 2000 lost 0.9%. Breadth was weak as the NYSE Up Issues % closed at 29% and the NYSE Up Volume % posted a 39% reading. NYSE total volume rose some from Tuesday's level.

For SPY, Wednesday started with a big gap down, and while the intraday rise was substantial, it never made it back to breakeven. This triggered the study below. It looks at times the SPY gapped down over 1%, then closed over 0.5% above the open, but still never closed the opening gap. It also required a close above the 10ma. The study was seen just recently in the 1/28/25 letter. Results are updated.

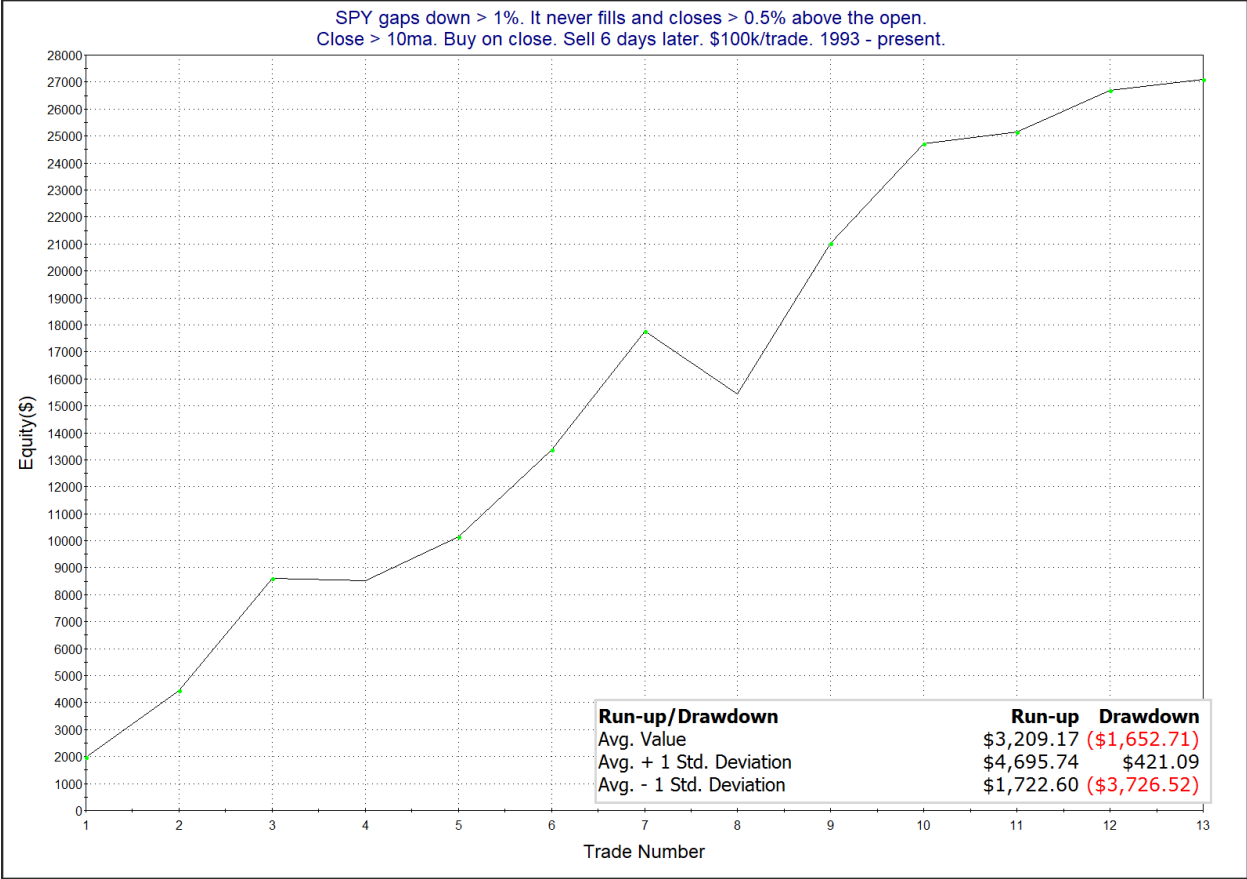
SPY gaps down > 1%. It never fills and closes > 0.5% above the open. Close > 10ma. Buy on close. Sell X days later. \$100k/trade. 1993 - present.												
X Days	All: Net Profit	All: Total Trades	All: Winning Trades	All: Losing Trades	All: % Profitable	All: Max Winning Trade	All: Max Losing Trade	All: Avg Winning Trade	All: Avg Losing Trade	All: Win/Loss Ratio	All: ProfitFactor	All: Avg Trade
10	28,065.30	12	11	1	91.67	5,117.92	-8,625.78	3,335.55	-8,625.78	0.39	4.25	2,338.78
9	28,929.62	12	11	1	91.67	5,499.74	-5,949.96	3,170.87	-5,949.96	0.53	5.86	2,410.80
8	34,004.73	13	12	1	92.31	6,684.18	-3,540.06	3,128.73	-3,540.06	0.88	10.61	2,615.75
7	25,932.24	13	11	2	84.62	5,658.39	-4,287.96	2,848.84	-2,702.48	1.05	5.80	1,994.79
6	27,087.09	13	11	2	84.62	5,558.41	-2,301.87	2,680.86	-1,201.20	2.23	12.28	2,083.62
5	21,078.85	13	10	3	76.92	5,272.34	-3,382.17	2,578.78	-1,569.64	1.64	5.48	1,621.45
4	10,968.29	13	10	3	76.92	2,972.06	-5,625.87	1,829.09	-2,440.86	0.75	2.50	843.71
3	8,426.98	13	10	3	76.92	3,176.64	-6,190.95	1,753.99	-3,037.64	0.58	1.92	648.23
2	3,671.37	13	8	5	61.54	2,345.96	-3,058.08	1,173.29	-1,142.98	1.03	1.64	282.41
1	4,850.74	13	8	5	61.54	2,247.84	-1,819.95	1,083.18	-762.94	1.42	2.27	373.13

This setup has been rare, but the fairly low number of instances we have seen have shown strong returns. Below is a look at all 13 instances along with their 8-day results.

SPY gaps down > 1%. It never fills and closes > 0.5%
above the open. Close > 10ma. Buy on close.
Sell X days later. \$100k/trade. 1993 - present.

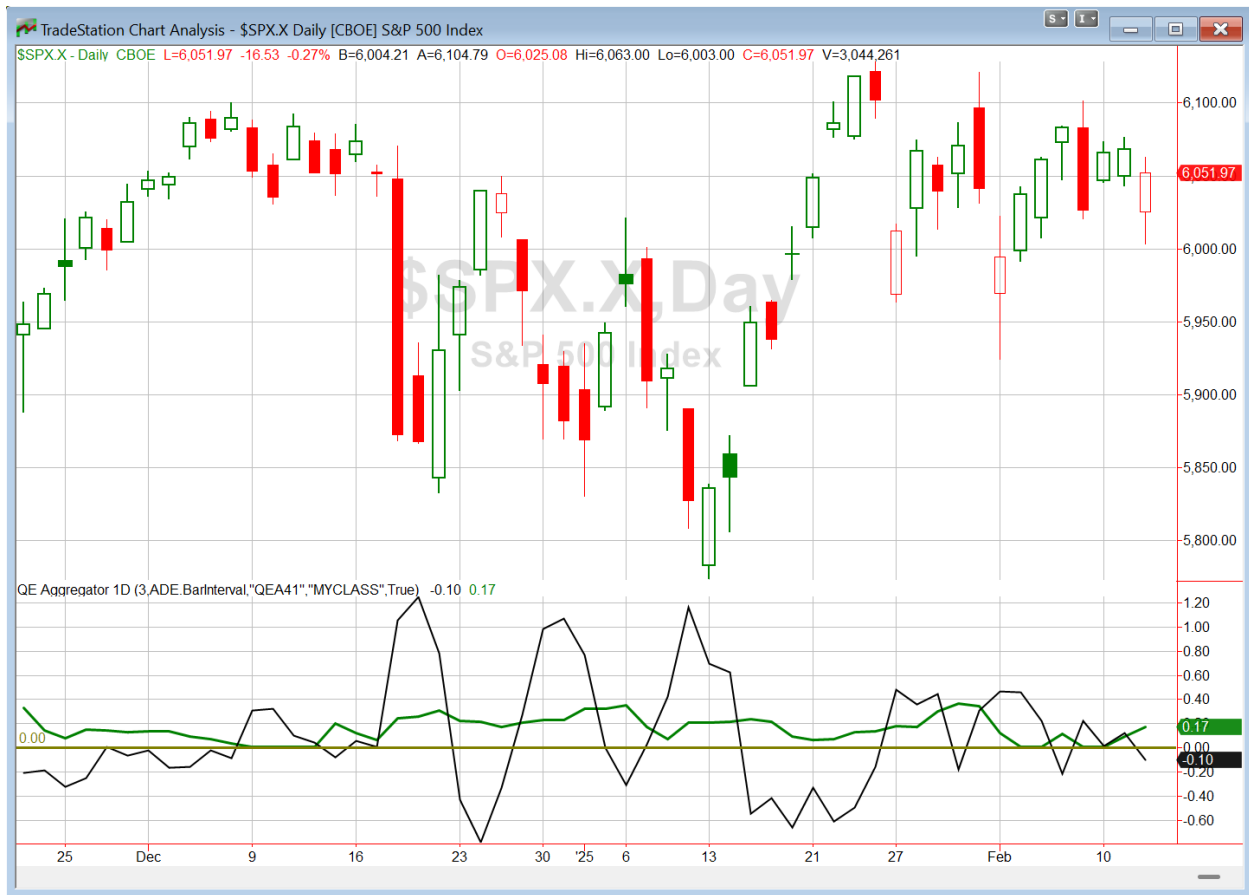
11/7/1997	Buy	\$92.94	1.85%	\$2,547.75
11/19/1997	Sell	\$94.66		(\$3,063.75)
11/12/2001	Buy	\$112.03	3.26%	\$3,407.44
11/23/2001	Sell	\$115.68		\$0.00
8/12/2002	Buy	\$90.62	6.69%	\$7,202.59
8/22/2002	Sell	\$96.68		(\$2,867.80)
10/22/2002	Buy	\$89.52	0.84%	\$1,977.09
11/1/2002	Sell	\$90.27		(\$2,814.84)
2/12/2010	Buy	\$108.04	2.43%	\$3,274.50
2/25/2010	Sell	\$110.67		\$0.00
2/25/2010	Buy	\$110.67	3.42%	\$3,900.96
3/9/2010	Sell	\$114.46		(\$505.68)
6/23/2011	Buy	\$128.30	4.42%	\$4,549.36
7/6/2011	Sell	\$133.97		(\$1,308.72)
9/19/2011	Buy	\$120.31	-3.54%	\$1,396.08
9/29/2011	Sell	\$116.05		(\$7,487.31)
10/2/2020	Buy	\$333.84	4.22%	\$6,033.82
10/14/2020	Sell	\$347.93		\$0.00
8/5/2022	Buy	\$413.47	3.19%	\$4,400.66
8/17/2022	Sell	\$426.65		(\$783.25)
11/17/2022	Buy	\$394.24	3.41%	\$3,400.32
11/30/2022	Sell	\$407.68		(\$399.74)
4/25/2024	Buy	\$503.49	2.71%	\$2,985.84
5/7/2024	Sell	\$517.14		(\$780.12)
1/27/2025	Buy	\$599.37	1.16%	\$1,757.94
2/6/2025	Sell	\$606.32		(\$1,474.08)

That is a good-looking list. Next is the profit curve for the slightly shorter 6-day hold.



Everything appears impressive. I've decided to include this study on the Active List.

I have updated [the Aggregator chart](#) below.



With tonight's evidence considered, the green Aggregator Line remained above zero. Positive readings mean net expectations are for upside over the next few days. Meanwhile the black Differential Line dropped below zero. The negative Differential Line reading means that SPX is overbought versus recent expectations. So expectations are positive but SPX is overbought. This is considered a neutral configuration. Neutral configurations are visible on the chart whenever both lines close on opposite sides of zero. Therefore, the Aggregator formation turned flat at the close.

Based on the current list of active studies, expectations are set to remain positive on Thursday. Meanwhile, the Differential Pivot will be inverted at 6074.26. That is 0.4% *above* Wednesday's close. An inverted pivot means that the Differential Line will cross through zero if SPX closes flat. In this case, SPX is going to need to close up at least 0.4% in order to remain overbought. Anything other than that and it will flip to "oversold" versus recent expectations as of Thursday's close.

So the Aggregator is neutral. Tonight's evidence is compelling. Reward/risk would be more compelling if SPX was not short-term overbought. There is a decent chance we will see the SPX shift to oversold on Thursday. So we may well get a setup on Thursday. I am not inclined to jump the gun and put out a trade idea just yet. But there is a solid chance I will be looking to get long on Friday if SPX closes down on Thursday.

Intermediate-term Outlook (2 weeks – 2 months) – updated 2/10 – somewhat bullish

Catapult and Capitulative Breadth Statistics

[Catapult & CBI Presentation Link](#)

Open Catapult Triggers

None

Broad Market Large Cap CBI – 0

Additional New Trade Ideas

A full listing of system triggers can be found at the [numbered systems page](#) each night. I will cherry pick some of my favorite setups from the S&P 100 and ETF lists along with occasional other trade ideas to track below.

None.

Current Open Trade Ideas

None.

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